

**COMMONWEALTH OF KENTUCKY  
BOARD OF TAX APPEALS  
FILE NO. K02-S-108**

R.R. DONNELLEY & SONS COMPANY

APPELLANT

Vs

**ORDER NO. K-19134**

BARREN COUNTY PROPERTY  
VALUATION ADMINISTRATOR, ET AL.

APPELLEE

**FINDINGS OF FACT AND  
CONCLUSIONS OF LAW AND ORDER**

This matter is before the Kentucky Board of Tax Appeals ("Board") after a hearing and submission of briefs by the parties. The Board having considered all pertinent information, and being otherwise sufficiently advised, finds as follows:

**FINDINGS OF FACT**

1. This case concerns the R.R. Donnelley & Sons manufacturing plant located in Glasgow, Barren County, Kentucky ("Donnelley").
2. The 2000 assessment was the subject of a previous hearing before the Board, File No. K00-S-194. As a result of that hearing, the Board issued Order No. K-18683, setting the fair cash value of the plant at \$11,500,000 as of January 1, 2000.
3. Subsequent to that hearing, Donnelley expanded the plant to add approximately 125,000 square feet of manufacturing and storage area.
4. The Barren County PVA originally assessed the Donnelley plant at \$21,000,000, but the PVA lowered the assessment to \$16,000,000 at the Barren County Board of Assessment Appeals.

5. The Barren County Board of Assessment Appeals sustained the PVA's reduced assessment.

6. Donnelley appealed the BAA's decision to the Board.

7. A hearing was held on this appeal on July 16, 2003, before the full Board.

8. The subject property is a 774,000 square foot manufacturing facility located in Glasgow, Kentucky. The plant was originally constructed in 1969 with 119,296 square feet, but it has been expanded twelve times over the years to reach its current size of 774,000 square feet (Ex. 7, p. 19).

9. As of January 1, 2002, approximately 44% of the plant was utilized for manufacturing (printing), approximately 46% for warehousing, shipping and storage, and approximately 5% for office space (Bell, pp. 35-36; Ex. 7, p. 19).

10. The subject improvements are located on approximately 220.63 acres of land, which were valued by both the Donnelley and the PVA at \$8,000 per acre, or approximately 1,770,000 (Ex. 7 p. 24; Ex. 11).

11. John Newby, Facilities and Environmental Engineer for Donnelley, testified as to the plant's history and characteristics.

12. The most recent expansion of the Donnelley plant occurred in 2001, when approximately 125,000 square feet were added (Newby, p. 9).

13. The total cost of the 2001 expansion was approximately \$6,042,000, although of that amount, approximately \$2.2 million was for equipment (Newby, pp. 11-12).

14. Lin E. Bell, MAI, SRA CCIM, testified as an expert witness on behalf of Donnelley.

15. Mr. Bell's total fair cash value for the Donnelley plant under the sales comparison approach was \$12,000,000 (Ex. 7, p. 32).

16. In addition to the sales comparison approach, Mr. Bell valued the Donnelley plant under the cost approach. Mr. Bell calculated the replacement cost value for the facility, then estimated the depreciation associated with the property (Ex. 7, pp. 27, 29).

17. Mr. Bell used a 5% per year depreciation rate and multiplied this 5% times the effective age (14 years) to arrive at the total depreciation of 70% of replacement cost new (Bell, pp. 49-52, Ex. 7, p. 9).

18. Mr. Bell derived a value for the Donnelley plant under the cost approach of \$12,170,000.

19. Mr. Bell reconciled the values derived from the two approaches by giving the most weight to the sales comparison approach and concluded that the fair cash value of the Donnelley plant as of January 1, 2002, was \$12,000,000.

20. Brad Bailey, Barren County PVA, testified on behalf of the Appellants.

21. Mr. Bailey became the Barren County PVA in December of 2002 (Bailey, p. 108).

22. Mr. Bailey presented a cost analysis and a sales comparison analysis.

23. The Board finds that the original building, less the land cost of \$1,770,000, has depreciated at a rate of 5% per year since the Board set the fair cash value of the plant at \$11,500,000 as of January 1, 2000, for a fair cash value of the original building of \$8,757,000 as of January 1, 2000.

24. The Board finds that the addition, less the equipment cost of \$2,200,000, has depreciated at a rate of 5% per year since it was constructed in 2001, for a fair cash value of the addition of \$3,649,900 as of January 1, 2002.

25. Based upon the foregoing, the Board finds that the fair cash value of the Donnelley plant as of January 1, 2002, was \$14,176,900 (being the sum of the fair cash value of the original building, the fair cash value of the 2001 addition, and the agreed upon land value).

### **CONCLUSIONS OF LAW**

1. The Kentucky Board of Tax Appeals is vested with exclusive jurisdiction to hear and determine appeals from final rulings, orders and determinations of the Barren County Board of Assessment Appeals pursuant to KRS 131.340(1).

2. The function of the Board is not simply to review the action of the local board, but to try anew the issues as presented. *Jefferson County Property Valuation Administrator v. Oxford Properties*, Ky. App., 726 S.W.2d 317, 319 (1987).

3. Section 172 of the Kentucky Constitution mandates that all property "shall be assessed for taxation at its fair cash value, estimated at the price it would bring at a fair voluntary sale."

4. The choice of the most appropriate and reliable approach to valuation is within the prerogative of the Board. *Jefferson County Property Valuation Administrator*, *supra* at p. 319.

5. The Board concludes that as of January 1, 2002, the fair cash value of the Donnelley property, and the estimated price that it would bring at a fair voluntary sale, was \$14,176,900.

## **ORDER**

This is a final and appealable order which may be appealed to the Franklin Circuit Court or the Circuit Court of the county in which the aggrieved party resides or conducts his place of business by filing a petition of appeal in the appropriate Circuit Court within thirty (30) days after the final order is mailed or delivered by personal service, pursuant to KRS 13B.140(1) and KRS 131.370(1). Copies of the petition of appeal shall be served by the Petitioner upon the Kentucky Board of Tax Appeals and all parties of record. The petition of appeal shall include the names and addresses of all parties to the proceedings and the Kentucky Board of Tax Appeals, and a statement of the grounds on which the review is requested. The petition of appeal shall be accompanied by a copy of this final order. Within twenty (20) days after services of the petition of appeal, or within further time allowed by the Circuit Court, the Kentucky Board of Tax Appeals shall transmit to the reviewing court the original or a certified copy of the official record of the proceeding under review in compliance with KRS 13B.140(3).

**DATE OF ORDER:**  
**March 18, 2004**

**FULL BOARD CONCURRING.**

**GEORGE H. HELTON**  
**CHAIRMAN**